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By email and overnight courier

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, Massachusetts 02110

Re: D.T.E. 01-31, Phase II (Track B) – Alternative Regulation

Dear Secretary Cottrell:

WorldCom, Inc. ("WorldCom") submits this letter in lieu of initial brief on Verizon's proposed Alternative Regulatory Plan for Massachusetts ("Plan"). WorldCom does not oppose approval of Verizon's proposed Plan, provided two modifications to the Plan are adopted by the Department. First, the Department should expand upon its mandate in the Phase I Order that Verizon reduce its intrastate switched access charges from their current level to the level of Verizon's interstate rates on the effective date of the Plan. Specifically, Verzion should be required to further reduce these rates to Total Element Long Run Incremental Cost ("TELRIC") over a three year period. Second, Verizon's proposal for rate flexibility for basic local residential service should be subject to suspension if the level of residential local competition in Massachusetts is frozen or reduced as a result of changes in FCC regulations now being considered by the FCC, namely, proposals to end availability of the UNE Platform (i.e. "UNE-P"). The Department should reserve to itself sufficient authority to terminate all or part of the

Plan if changes in market conditions warrant a suspension of the regulatory flexibility granted to Verizon in the Plan.

Intrastate Access Rates Should Re Reduced to TELRIC

In the Phase I Order, the Department ordered that Verizon reduce its intrastate switched access rates to the level of Verizon's interstate rates as part of its proposed replacement regulatory plan. DTE 01-31, Phase I Order, p. 63. In its August 28, 2002 filing, Verizon proposes to reduce its intrastate rates accordingly, and further proposes that the intrastate rates largely mirror Verizon's interstate access rate structure. WorldCom supports this aspect of the proposal–as far it goes. In DTE 01-20, the Department may adopt rates for switching and transport–the principal elements that make up switched access service–that are well below Verizon's interstate access rates. There is no justification–other than padding Verizon's coffers–for this service to remain priced well above economic cost. In response to questions from the bench during cross-examination, as in her pre-filed rebuttal testimony, Verizon witness Paula Brown could not articulate a credible reason why access rates should not be reduced to TELRIC.

In the Phase I Order, the Department stated that it would order a reduction in switched access charges to "their economically efficient levels in Phase II of this proceeding to promote economic efficiency and competition for intrastate toll, as we did in the past through the rate-rebalancing process." Phase I Order, p. 63. To achieve these important public policy objectives, the Department should go further than reducing rates to the interstate level and should order Verizon to reduce its intrastate access rates to TELRIC. See also Mayo Direct, pp. 24-25. WorldCom is not proposing a flash-cut move to TELRIC-based access rates. Instead, we urge the Department to follow the precedent established by the Department in DPU 89-300 of requiring annual filings by Verizon to gradually lower access rates to the level of TELRIC. WorldCom submits that a three year transition period should be adequate to achieve this goal.

Verizon's Retail Rate Flexibility Should Be Subject to Suspension if Market Conditions Change

Verizon has proposed that it be granted the flexibility to increase basic residential rates up to a maximum of five per cent per year. As justification for this proposal, Verizon cites the Department's Phase I order for the proposition that competition for residential local basic service is growing. (Brown Direct, p. 11) Verizon witness Brown asserts that "competition in the residence market constrains Verizon MA's ability to increase prices without limit." (Id.) Now that Verizon has secured long distance authority in Massachusetts on the basis of emerging local competition in its markets, Verizon is aggressively seeking changes to FCC rules that would eliminate or hinder the availability of the UNE Platform ("UNE-P"). UNE-P is the service delivery mechanism used by many CLECs to provide much of the retail competition that Verizon now faces and that Verizon relies on as support for its request for additional pricing flexibility. If the level of residential local competition in Massachusetts were to stop growing, or worse, reverse direction, as a result of changes in federal law, the rationale for Verizon's proposed additional pricing flexibility would disappear. Accordingly, the Department should reserve to itself sufficient authority to terminate all or part of the Plan if changes in market conditions warrant a suspension of the regulatory flexibility granted to Verizon to increase basic local rates.

Respectfully submitted,

Richard C. Fipphen

Cc: Paula Foley, Hearing Officer
Bruce P. Beausejour
Attached Service List